

CITY OF CALIFORNIA CITY, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2014

CITY OF CALIFORNIA CITY

JUNE 30, 2014

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Independent Auditor's Report

To the City Council
City of California City
California City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining information of the City of California City, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of California City, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that, the budgetary comparison schedules on pages 50 through 53 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and the combining private purpose trust fund financial statements are presented for the purpose of additional analysis and are not required parts of the financial statements. The combining nonmajor funds financial statements, nonmajor funds budgetary comparison schedules, combining nonmajor proprietary fund financial statements, and combining private purpose trust fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 30, 2015

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CITY OF CALIFORNIA CITY
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 7,240,357	\$ 1,128,504	\$ 8,368,861
Receivables:			
Accounts	111,586	386,328	497,914
Taxes	231,909		231,909
Due from other governments	1,490,519	384,967	1,875,486
Prepaid costs			
Inventories	9,069	322,107	331,176
Internal balances	293,469	(293,469)	
Due from Successor Agency Trust Fund	21,669,224		21,669,224
Allowance Due from Successor Agency Trust Fund	(20,684,224)		(20,684,224)
Land held for resale		4,076,250	4,076,250
Restricted assets:			
Cash and investments	83,305,499		83,305,499
Cash and investments with fiscal agents		146,405	146,405
Interest receivable	669,821		669,821
Capital assets not being depreciated	1,877,518	518,788	2,396,306
Capital assets - net of accumulated depreciation	19,467,453	14,124,560	33,592,013
Total assets	115,682,200	20,794,440	136,476,640
LIABILITIES			
Accounts payable	321,004	209,014	530,018
Accrued liabilities	237,371	96,661	334,032
Accrued interest	10,010	80,420	90,430
Unearned revenue		367,348	367,348
Deposits payable	10,000	14,413	24,413
Noncurrent liabilities:			
Due within one year	1,105,070	211,285	1,316,355
Due in more than one year	3,232,052	6,494,023	9,726,075
Total liabilities	4,915,507	7,473,164	12,388,671
DEFERRED INFLOW OF RESOURCES			
Unearned revenues - unavailable grant revenues	1,199,336		1,199,336
NET POSITION			
Net investment in capital assets	21,054,446	8,106,050	29,160,496
Restricted for:			
Community development	311,445		311,445
Public works	86,115,414		86,115,414
Parks and recreation	14,125		14,125
Public safety	1,484,739		1,484,739
Housing	1,200,518		1,200,518
Water meter installation		216,937	216,937
Water standby		2,596,140	2,596,140
Unrestricted	(613,330)	2,402,149	1,788,819
Total net position	\$ 109,567,357	\$ 13,321,276	\$ 122,888,633

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ (1,158,641)	\$ 58,100	\$ 2,393	\$ 3,400
Public safety	(7,172,226)	205,048	7,325,724	
Parks and recreation	(596,462)	6,482	43,445	86,636
Public works	(22,779,437)	96,447	1,273,032	129,285
Community development	(16,732)	1,635	(14,576)	14,475
Interest on long-term debt	(18,192)			
Total Governmental Activities	(31,741,690)	367,712	8,630,018	233,796
Business-type Activities:				
Water	(3,224,212)	2,511,962		
Sewer	(1,453,711)	608,262		
Airport	(734,514)	177,557		
Kern COG Transportation	(305,936)	25,495	51,332	
Water reserve	(960)	397,840		
Total Business-Type Activities	(5,719,333)	3,721,116	51,332	
Total Primary Government	<u>\$ (37,461,023)</u>	<u>\$ 4,088,828</u>	<u>\$ 8,681,350</u>	<u>\$ 233,796</u>
General Revenues:				
Taxes:				
Sales taxes				
Property taxes levied for general purposes				
Franchise taxes				
Transient occupancy taxes				
Business license taxes				
Intergovernmental - unrestricted:				
Motor vehicle in lieu				
Earnings on investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - July 1, 2013				
Prior period adjustments				
Net position - July 1, 2013, Restated				
Net position - June 30, 2014				

See Notes to Basic Financial Statements

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,094,748)	\$ -	\$ (1,094,748)
358,546		358,546
(459,899)		(459,899)
(21,280,673)		(21,280,673)
(15,198)		(15,198)
(18,192)		(18,192)
(22,510,164)		(22,510,164)
	(712,250)	(712,250)
	(845,449)	(845,449)
	(556,957)	(556,957)
	(229,109)	(229,109)
	396,880	396,880
	(1,946,885)	(1,946,885)
(22,510,164)	(1,946,885)	(24,457,049)
347,688		347,688
2,056,980	69,080	2,126,060
333,206		333,206
59,826		59,826
38,288		38,288
6,370		6,370
160	51	211
79,836	25,793	105,629
292,635	(292,635)	
3,214,989	(197,711)	3,017,278
(19,295,175)	(2,144,596)	(21,439,771)
128,858,883	15,561,313	144,420,196
3,649	(95,441)	(91,792)
128,862,532	15,465,872	144,328,404
\$ 109,567,357	\$ 13,321,276	\$ 122,888,633

CITY OF CALIFORNIA CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

		Special Revenue Funds		
			Subdivision	
	General	Street	Deferred	Special Tax
		Maintenance	Improvement	
ASSETS				
Cash and investments	\$ 3,039,933	\$ 2,106,362	\$ -	\$ 173,710
Receivables:				
Accounts	111,586			
Taxes	72,611			51,621
Other governments	5,915	1,347,709		
Successor Agency receivable			20,684,224	
Allowance - Successor Agency receivable			(20,684,224)	
Prepaid costs				
Due from other funds	784,132			
Inventories	9,069			
Restricted assets:				
Cash and investments			83,305,499	
Interest receivable			669,821	
Total assets	<u>\$ 4,023,246</u>	<u>\$ 3,454,071</u>	<u>\$ 83,975,320</u>	<u>\$ 225,331</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 142,219	\$ 58,351	\$ (6,198)	\$ -
Accrued liabilities	68,165	15,794		
Unearned revenues				
Deposits payable	10,000			
Due to other funds			46,694	
Total liabilities	<u>220,384</u>	<u>74,145</u>	<u>40,496</u>	
Deferred inflow of resources:				
Unearned revenues - unavailable grant revenues		1,199,336		
Fund balances:				
Nonspendable:				
Inventory	9,069			
Restricted for:				
Housing				
Parks and recreation				
Public safety				
Street maintenance		2,180,590		
Subdivision infrastructure			83,934,824	
Community development				225,331
Assigned:				
Parsac insurance	100,000			
Unassigned	3,693,793			
Total fund balances	<u>3,802,862</u>	<u>2,180,590</u>	<u>83,934,824</u>	<u>225,331</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 4,023,246</u>	<u>\$ 3,454,071</u>	<u>\$ 83,975,320</u>	<u>\$ 225,331</u>

See Notes to Basic Financial Statements

<u>Special Revenue Funds</u>		
<u>Public Safety Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,578,877	\$ 341,475	\$ 7,240,357
		111,586
93,515	14,162	231,909
	136,895	1,490,519
	985,000	21,669,224
		(20,684,224)
		784,132
		9,069
		83,305,499
		669,821
<u>\$ 1,672,392</u>	<u>\$ 1,477,532</u>	<u>\$ 94,827,892</u>
\$ 88,923	\$ 37,709	\$ 321,004
143,570	9,842	237,371
		10,000
	443,969	490,663
<u>232,493</u>	<u>491,520</u>	<u>1,059,038</u>
		1,199,336
		9,069
	1,200,518	1,200,518
	14,125	14,125
1,439,899	44,840	1,484,739
		2,180,590
		83,934,824
	86,114	311,445
		100,000
	(359,585)	3,334,208
<u>1,439,899</u>	<u>986,012</u>	<u>92,569,518</u>
<u>\$ 1,672,392</u>	<u>\$ 1,477,532</u>	<u>\$ 94,827,892</u>

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**CITY OF CALIFORNIA CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Fund balances of governmental funds \$ 92,569,518

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources.
Therefore, they are not reported in governmental funds.

21,344,971

Long-term debt and compensated absences are not due on bonds has not been reported in the governmental funds.

Long-term liabilities - Capital leases

(290,525)

PERS Side Fund

(3,397,317)

Compensated absences

(649,280)

Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds.

(10,010)

Net position of governmental activities

\$ 109,567,357

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General	Special Revenue Funds		
		Street Maintenance	Subdivision Deferred Improvement	Special Tax
REVENUES				
Taxes	\$ 2,109,589	\$ -	\$ -	\$ 353,686
Licenses and permits	287,013			
Intergovernmental	815,742	607,125		
Charges for services	97,926			
Fines and forfeitures	21,060			
Use of money and property	40,556	107	572,972	
Miscellaneous	112,231	215		
Total revenues	3,484,117	607,447	572,972	353,686
EXPENDITURES				
Current:				
General government	1,380,513			
Public safety	87,863			
Parks and recreation	465,972			
Public works	242,509	743,609	9,906,521	
Community development				
Capital outlay	195,197	389,737		
Debt service:				
Principal retirement				
Interest and other charges				
Total expenditures	2,372,054	1,133,346	9,906,521	
Excess of revenues over (under) expenditures	1,112,063	(525,899)	(9,333,549)	353,686
OTHER FINANCING SOURCES (USES)				
Transfers in	357,718	253,798		
Transfers out		(62,544)	(137,492)	(216,452)
Total other financing sources (uses)	357,718	191,254	(137,492)	(216,452)
Net changes in fund balances	1,469,781	(334,645)	(9,471,041)	137,234
Fund balances- July 1, 2013	2,310,697	2,515,235	93,405,865	88,097
Prior period adjustments	22,384			
Fund balances- July 1, 2013, restated	2,333,081	2,515,235	93,405,865	88,097
Fund balances - June 30, 2014	\$ 3,802,862	\$ 2,180,590	\$ 83,934,824	\$ 225,331

See Notes to Basic Financial Statements

<u>Special Revenue Funds</u>		
<u>Public Safety Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,240,099	\$ 218,828	\$ 8,922,202
21,766		308,779
54,338	717,051	2,194,256
9,290		107,216
34,185		55,245
5	6	613,646
67,862	5,966	186,274
<u>6,427,545</u>	<u>941,851</u>	<u>12,387,618</u>
		1,380,513
5,913,492	964,500	6,965,855
	10,391	476,363
		10,892,639
	14,226	14,226
39,812	124,801	749,547
127,560		127,560
22,630		22,630
<u>6,103,494</u>	<u>1,113,918</u>	<u>20,629,333</u>
<u>324,051</u>	<u>(172,067)</u>	<u>(8,241,715)</u>
97,607		709,123
		(416,488)
<u>97,607</u>		<u>292,635</u>
<u>421,658</u>	<u>(172,067)</u>	<u>(7,949,080)</u>
1,018,241	1,176,814	100,514,949
	(18,735)	3,649
<u>1,018,241</u>	<u>1,158,079</u>	<u>100,518,598</u>
<u>\$ 1,439,899</u>	<u>\$ 986,012</u>	<u>\$ 92,569,518</u>

**CITY OF CALIFORNIA CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Net change in fund balances - total governmental funds \$ (7,949,080)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	352,240
Depreciation expense	(1,190,722)

Repayment of long term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement on net position.

Capital leases	127,560
----------------	---------

Allowance on interest on advances are recognized in the statement of activities. (10,807,081)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 4,438

Compensated absence and PERS side fund expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in a governmental fund. The net changes are:

Compensated absence	\$ 119,503	
PERS side fund	<u>281,705</u>	401,208

Revenues recognized in prior fiscal year in statement of activities were recognized in the current fiscal year governmental funds. (233,738)

Change in net position of governmental activities \$ (19,295,175)

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Airport	Other Enterprise Funds	Total
ASSETS					
Current assets:					
Cash and investments	\$ 164,791	\$ -	\$ 150	\$ 963,563	\$ 1,128,504
Receivables:					
Accounts	372,484		13,844		386,328
Other governments	17,174		445	367,348	384,967
Inventories	249,976		72,131		322,107
Restricted:					
Cash and investments with fiscal agents	2,705	143,700			146,405
Total current assets	807,130	143,700	86,570	1,330,911	2,368,311
Noncurrent assets:					
Land held for resale			4,076,250		4,076,250
Capital assets not being depreciated	264,985	20,586	233,217		518,788
Capital assets - net of accumulated depreciation	6,245,806	3,755,736	4,008,950	114,068	14,124,560
Total noncurrent assets	6,510,791	3,776,322	8,318,417	114,068	18,719,598
Total assets	7,317,921	3,920,022	8,404,987	1,444,979	21,087,909
LIABILITIES					
Current liabilities:					
Accounts payable	147,469	28,875	30,664	2,006	209,014
Accrued liabilities	42,450	44,251	4,844	5,116	96,661
Accrued interest	64,589	15,831			80,420
Unearned revenues				367,348	367,348
Deposits payable	14,413				14,413
Due to other funds		20,841	85,761	186,867	293,469
Accrued compensated absences	16,285	40,647	5,122	5,150	67,204
Bonds, notes, and capital leases	99,081	45,000			144,081
Total current liabilities	384,287	195,445	126,391	566,487	1,272,610
Noncurrent liabilities:					
Accrued compensated absences	24,427	60,971	7,684	7,724	100,806
Bonds, notes, and capital leases	4,808,217	1,585,000			6,393,217
Total noncurrent liabilities	4,832,644	1,645,971	7,684	7,724	6,494,023
Total liabilities	5,216,931	1,841,416	134,075	574,211	7,766,633
NET POSITION					
Net investment in capital assets	1,603,493	2,146,322	4,242,167	114,068	8,106,050
Restricted for:					
Water meter installation	216,937				216,937
Water standby	2,596,140				2,596,140
Unrestricted	(2,315,580)	(67,716)	4,028,745	756,700	2,402,149
Total net position	\$ 2,100,990	\$ 2,078,606	\$ 8,270,912	\$ 870,768	\$ 13,321,276

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Airport	Other Enterprise Funds	Total
OPERATING REVENUES					
Sales and service charges	\$ 2,511,962	\$ 608,262	\$ 177,557	\$ 423,335	\$ 3,721,116
Miscellaneous	6,007	1,303	18,483		25,793
Total operating revenues	2,517,969	609,565	196,040	423,335	3,746,909
OPERATING EXPENSES					
Administration and general	910,244	156,866	350,880	243,271	1,661,261
Source of supply	241,855				241,855
Transmission/collection	711,012				711,012
Treatment	802,174	713,306			1,515,480
Depreciation expense	428,880	486,673	383,634	63,625	1,362,812
Total operating expenses	3,094,165	1,356,845	734,514	306,896	5,492,420
Operating income (loss)	(576,196)	(747,280)	(538,474)	116,439	(1,745,511)
NON-OPERATING REVENUES (EXPENSES)					
Taxes		16,819	52,261		69,080
Intergovernmental				51,332	51,332
Interest revenue	7	13		31	51
Interest and amortization expense	(130,047)	(96,866)			(226,913)
Total non-operating revenues (expenses)	(130,040)	(80,034)	52,261	51,363	(106,450)
Income (loss) before transfers	(706,236)	(827,314)	(486,213)	167,802	(1,851,961)
Transfers					
Transfers in	2,422	116		1	2,539
Transfers out	(165,088)	(125,086)	(5,000)		(295,174)
Total transfers	(162,666)	(124,970)	(5,000)	1	(292,635)
Changes in net position	(868,902)	(952,284)	(491,213)	167,803	(2,144,596)
Net position - July 1, 2013	2,969,892	3,126,331	8,762,125	702,965	15,561,313
Prior Period Adjustments		(95,441)			(95,441)
Net position - July 1, 2013, Restated	2,969,892	3,030,890	8,762,125	702,965	15,465,872
Net position - June 30, 2014	\$ 2,100,990	\$ 2,078,606	\$ 8,270,912	\$ 870,768	\$ 13,321,276

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Airport	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 2,489,394	\$ 609,565	\$ 183,665	\$ 423,647	\$ 3,706,271
Cash paid to suppliers for goods and services	(1,596,641)	(400,632)	(200,046)	(53,530)	(2,250,849)
Cash paid to employees for services	(1,130,319)	(422,202)	(111,891)	(182,070)	(1,846,482)
Net cash provided (used) by operating activities	(237,566)	(213,269)	(128,272)	188,047	(391,060)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Cash transfers in	2,422	116		1	2,539
Cash transfers out	(165,088)	(125,086)	(5,000)		(295,174)
Repayments from other funds		20,841	(91,366)	9,405	(61,120)
Intergovernmental	(17,174)		172,111	222,101	377,038
Taxes revenue		17,104	52,527		69,631
Net cash provided (used) by non-capital financing activities	(179,840)	(87,025)	128,272	231,507	92,914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(88,110)	(18,715)		(21,714)	(128,539)
Principal paid on capital debt	(130,102)	(45,000)			(175,102)
Interest paid on capital debt	(130,700)	(97,038)			(227,738)
Net cash provided (used) by capital and related financing activities	(348,912)	(160,753)		(21,714)	(531,379)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	7	13		31	51
Net cash provided (used) by investing activities	7	13		31	51
Net increase (decrease) in cash and cash equivalents	(766,311)	(461,034)		397,871	(829,474)
Cash and cash equivalents, July 1, 2013	933,807	604,734	150	565,692	2,104,383
Cash and cash equivalents, June 30, 2014	\$ 167,496	\$ 143,700	\$ 150	\$ 963,563	\$ 1,274,909
RECONCILIATION TO THE STATEMENT OF NET ASSETS:					
Cash and investments	\$ 164,791	\$ -	\$ 150	\$ 963,563	\$ 1,128,504
Cash and investments with fiscal agents	2,705	143,700			146,405
Total	\$ 167,496	\$ 143,700	\$ 150	\$ 963,563	\$ 1,274,909
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (576,196)	\$ (747,280)	\$ (538,474)	\$ 116,439	\$ (1,745,511)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	428,880	486,673	383,634	63,625	1,362,812
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	48,190		(12,375)	312	36,127
(Increase) decrease in prepaid expense	22,088	8,901	9,820	4,181	44,990
(Increase) decrease in inventories	(72,726)		2,569		(70,157)
Increase (decrease) in accounts payable	(12,752)	22,949	23,366	(112)	33,451
Increase (decrease) in accrued liabilities	10,451	32,324	1,450	(642)	43,583
Increase (decrease) in deposits payable	(76,765)				(76,765)
Increase (decrease) in compensated absences	(8,736)	(16,836)	1,738	4,244	(19,590)
Total adjustments	338,630	534,011	410,202	71,608	1,354,451
Net cash provided (used) by operating activities	\$ (237,566)	\$ (213,269)	\$ (128,272)	\$ 188,047	\$ (391,060)

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private-Purpose Trust Funds
ASSETS	
Cash and investments	\$ 1,107,122
Cash and investments with fiscal agents	1,350,960
Notes receivable	173,000
Land held for resale	<u>1,987,350</u>
Total assets	<u>4,618,432</u>
DEFERRED OUTFLOWS	
Deferred loss on refunding	<u>55,781</u>
LIABILITIES	
Due to other governments/accounts payable	243,212
Interest payable	306,530
Unearned revenue	981,102
Noncurrent liabilities:	
Long-term debt, due within one year	1,004,983
Long-term debt, due in more than one year	<u>35,307,044</u>
Total liabilities	<u>37,842,871</u>
NET POSITION (DEFICIT)	
Unrestricted	<u><u>\$ (33,168,658)</u></u>

See Notes to Basic Financial Statements

CITY OF CALIFORNIA CITY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Private-Purpose Trust Funds
ADDITIONS	
Tax increment	\$ 1,588,181
Use of money and property	<u>48,155</u>
Total additions	<u>1,636,336</u>
DEDUCTIONS	
Community development	376,358
Interest on long-term debt	<u>1,052,396</u>
Total deductions	<u>1,428,754</u>
Change in net position	<u>207,582</u>
Net position (deficit) - July 1, 2013	(33,139,277)
Prior period adjustment	<u>(236,963)</u>
Net position (deficit) - July 1, 2013, Restated	<u>(33,376,240)</u>
Net position (deficit) - June 30, 2014	<u><u>\$ (33,168,658)</u></u>

See Notes to Basic Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

A. Description of the Reporting Entity

The City of California City (City) was incorporated in December 1965, under the laws of the State of California and enjoys all the rights and privileges applicable to a general law City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of California City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City:

Component Units:

California City Community Services District
Industrial Development Authority
California City Financing Authority

Blended Component Units

The California City Community Services District is a subsidiary of the City of California City and a detached area within City boundaries from the County service area. As a subsidiary district, the City Council of the City of California City now serves as the District's governing board of directors. Separate financial statements are not prepared for the district.

The Industrial Development Authority was established for the purpose of issuing debt. Separate financial statements are not prepared for the Authority.

The California City Financing Authority was created for the purpose of assisting in the financing and refinancing of certain redevelopment activities of the Agency and certain public programs and projects of the City and for the purpose of aiding in the financing and refinancing of public capital improvements. Separate financial statements are not prepared for the Authority.

Although these component units are legally separate from the City of California City, they are reported as if they were part of the primary government because the governing boards of these component units are the same as the primary government. Furthermore, the purpose of these component units is to provide a safe and more efficient service for the residents of California City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary fund financial statements only report private-purpose trust funds. Trust funds are to account for the funds of the Successor Agency of the California City Redevelopment Agency. Private-purpose trust funds use the full accrual method of accounting and the economic resources measurement focus.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street Maintenance Fund accounts for the general upkeep and repair of street pavement and street related capital projects within the City.
- The Subdivision Deferred Improvement Fund accounts for funds dedicated for water and street infrastructure within certain land tracts.
- The Special Tax Fund accounts for the voter approved special tax. The special tax is \$75 per subdivided lot or parcel on each and every assessor's tax number within the corporate limits of the City of California City. These receipts are transferred out to the various uses approved by voters, specifically, police, fire, parks/recreation, streets and water-main repair.
- The Public Safety Services Fund accounts for voter approved special tax (Measure A). The Measure A or Special Tax of \$150 per year, per property parcel would pay for salaries, equipment and other needs for both the Police and Fire departments for the next 6 years starting July 1, 2012.

The City reports the following major proprietary funds:

- The Water Fund accounts for the operations of the City's water utility, a self-supporting activity which is entirely financed through user charges.
- The Sewer Fund accounts for the operations of the City's sewer distribution lines, which are operated in a manner similar to a private enterprise. The costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.
- The Airport Fund accounts for the operations of the City's municipal airport, a self-supporting activity which is financed through user charges.

Additionally, the City reports the following fund types:

- Fiduciary funds financial statements include a statement of net position and statement of changes in net position. The City's fiduciary funds are used to account for assets held by the City as trustee for the Redevelopment Agency Successor Agency. The private purpose trust funds are custodial in nature and use the economic resources measurement of results of operations, and use the full accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprises Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component units, are reported at fair value. The City's policy is generally to hold investments until maturity or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Kern collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due March 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of January each year and are delinquent on August 31.

3. Inventories and Prepaid Items

Inventories of materials and supplies are carried at cost on a first-in, first-out basis. The City uses the consumption method of accounting for inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Infrastructure assets have a capitalization threshold of \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets and, as permitted under GASB Statement No. 34, the City will not report any infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

4. Capital Assets (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Life in Years</u>
Buildings and structures	20-50
Improvements other than buildings	10-100
Machinery and equipment	3-10
Water rights	50
Furniture and fixtures	3-20
Source of supply	20-50
Transmissions	25
Water treatment	10

5. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. The total amount of liability for unused vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. The unused reimbursable leave still outstanding following an employee's resignation or retirement are reflected as a current liability in the General Fund since they are expected to be paid with expendable available financial resources.

For proprietary funds, the liability for compensated absences is segregated between short-term and long-term in the fund from which the liability will be paid.

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Sick leave is payable when an employee is unable to work because of illness. Upon termination an employee will be paid for one-half of any unused sick leave. The vested portion of these compensated absences is accrued at June 30, 2014.

6. Unearned Revenue

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenue. Under the modified accrual basis of accounting, revenue are recognized when earned and susceptible to accrual. Revenues are considered susceptible to accrual if they are measurable and available to finance expenditures of the current period. Thus, governmental funds also defer revenue recognition for revenues not considered available to liquidate liabilities of the current period.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity/Net Position

In the fund financial statements with the implementation of GASB Statement No. 54, governmental funds report fund balance as either non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, or unassigned fund balance. See Note 10 for additional information regarding the governmental fund balances.

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a Council's resolution or ordinance.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned includes the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or committed, assigned, or unassigned or any combination of those classifications. Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which restricted fund balance is available and committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

8. Fund Equity/Net Position (Continued)

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. In the Government-wide financial statements, proprietary fund financial statements, and private-purpose trust fund financial statements, net position is classified as either net investment in capital assets, restricted, or unrestricted.

- *Net Investment in Capital Assets* describe the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.
- *Restricted* describe the portion of net position, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, capital projects, and deferred improvement funds restricted to low and moderate income housing purposes.
- *Unrestricted* describes the portion of net position which is not restricted as to use.

When both restricted and unrestricted net position are available, restricted resources are depleted first before the unrestricted resources are used.

E. Grant Revenues

Certain grant revenues are recognized when specific related expenditures have been incurred. In other grant programs, monies are virtually unrestricted as to purpose of expenditure and are only revocable for failure to comply with prescribed compliance requirements. These revenues are recognized at the time of receipt, or earlier if susceptible to accrual criteria are met. Cash received prior to incurrence of the related expenditure is recorded as unearned revenue.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Deferred Inflows and Outflows of Revenues

Pursuant to GASB Statement No. 63, the City recognizes deferred outflows and inflows of resources. Deferred outflow and inflow of resources are defined as a consumption or resource of net position by the government that is applicable to a future reporting period. The deferred inflows included long-term note and loans receivable including accrued interest thereon and unavailable revenues. The deferred outflows include deferred losses on bond refundings.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

H. New Accounting Pronouncements

The City has implemented the requirements of Governmental Accounting Standards Board (GASB) during the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on the City's financial statements are explained in Note 12 – Restatements.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Correction – 2012*. This statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

H. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees, Deferred Inflows of Resources*. This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

I. Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

J. GANN Spending Limitations

Under Article XIII B of the California Constitution (the GANN Spending Limitation), the City is restricted as to the amount of annual appropriations from proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the California State Controller or returned to the taxpayers through revised tax rates, revised fee schedules, or other refund arrangements.

Note 2: Stewardship, Compliance, and Accountability

A. Budgetary Data

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the function level. At fiscal year end all operating budget appropriations lapse.

For fiscal year 2013-2014, the Subdivision Deferred Improvement Fund, the Special Tax Fund, the Housing Authority, and the Park and Recreation Fund had no adopted budget.

Note 2: Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Data (Continued)

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts-in- process at fiscal year-end are completed. They do not constitute expenditures or estimated liabilities.

Budgetary Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP).

B. Expenditures over Appropriations

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Governmental Fund:			
Public Safety Services Fund	\$ 6,103,494	\$ 5,595,996	\$ 507,498
Nonmajor Governmental Fund:			
Public Safety Augmentation Fund	186,832	170,000	16,832

C. Deficit Fund Balances

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
COPs Recovery	\$ 27,425
OHV Grant	323,275
OHV Permit Program	163
Proposition 39	8,722

The City expects to eliminate these deficits as future revenues are received.

Note 3: Cash and Investments

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled.

Statement of Net Position:

Cash and investments	\$ 8,368,861
Restricted cash and investments	83,305,499
Restricted cash and investments with fiscal agents	146,405

Statement of Fiduciary Net Position:

Cash and investments	1,107,122
Cash and investments with fiscal agents	<u>1,350,960</u>

Total	<u><u>\$ 94,278,847</u></u>
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Note 3: Cash and Investments (Continued)

Certain restricted cash and investments are held in separate cash accounts and with fiscal agents for the redemption of debt and for acquisition and construction of capital assets.

Cash and investments as of June 30, 2014 consist of the following:

Cash on hand	\$ 1,870
Deposits with financial institutions	7,966,027
Investments	<u>86,310,950</u>
	<u>\$ 94,278,847</u>

GASB Statement No. 31

The City adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

The investment policy seeks to generate consistent total returns by focusing on preservation of capital and risk management. It seeks to achieve above-benchmark returns consistently throughout market cycles with low volatility relative to its benchmark (5 Yr. Treasury Note). This strategy focuses on active duration management, sector selection, and term structure positioning.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	20%	None
State of California and Local Agency Obligations	5 years	None	15%
California City and RDA Obligations	None	None	15%
Bankers Acceptance (must be dollar denominated)	180 days	40%	30%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	5 years	None	None
Money Market Funds	N/A	20%	None

Note 3: Cash and Investments (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	None
U.S. Treasury Obligations	None	None	None
U.S. Government Agency Issues (Rated AAA)	None	None	None
Municipal Obligations	None	None	None
Bankers Acceptance (must be dollar denominated) (Rated A)	360 days	None	None
Commercial Paper (Rated A)	270 days	None	None
Certificates of Deposit (Rated A)	360 days	None	None
Money Market Funds (Rated AAA)	N/A	None	None
Investment Agreements (approved by City)	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity.

Investment Type	Totals	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25-36 Months	More Than 60 Months
State investment pool	\$ 52,633	\$ 52,633	\$ -	\$ -	\$ -
Money market funds	365,110	365,110			
Certificates of deposit	2,303,620	2,303,620			
U.S. government agency issues	82,094,931			82,094,931	
Held by bond trustees:					
Money market funds	1,494,656	1,494,656			
	<u>\$ 86,310,950</u>	<u>\$ 4,216,019</u>	<u>\$ -</u>	<u>\$82,094,931</u>	<u>\$ -</u>

Note 3: Cash and Investments (Continued)

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA+	A	Not Rated
State investment pool	\$ 52,633	N/A	\$ -	\$ -	\$ -	\$ -	\$ 52,633
Money market funds	365,110	N/A		365,110			
Certificates of deposit	2,303,620	N/A					2,303,620
U.S. government agency issues	82,094,931	N/A			82,094,931		
Held by bond trustees:							
Money market funds	1,494,656	AAA		1,494,656			
Total	<u>\$ 86,310,950</u>		<u>\$ -</u>	<u>\$ 1,859,766</u>	<u>\$82,094,931</u>	<u>\$ -</u>	<u>\$ 2,356,253</u>

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. There are four investments that represent more than 5% of total City investments (other than U.S. Government securities, external investment pools, and money market funds) Federal National Mortgage - \$27,112,825, Federal Home Loan Mortgage Corporation - \$22,712,270, Federal Farm Credit Bank - \$11,585,745, and the Federal Home Loan Bank - \$17,331,630. These amounts are recorded in the governmental activities statement of net position and the balance sheet of the Subdivision Deferred Improvement Fund - a major governmental fund.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note 3: Cash and Investments (Continued)

As of June 30, 2014, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in non-collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at June 30, 2013	Transfers	Increases	Decreases	Balance at June 30, 2014
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,877,518	\$ -	\$ -	\$ -	\$ 1,877,518
Construction in progress	1,436,010	(1,436,010)			
Total	<u>3,313,528</u>	<u>(1,436,010)</u>			<u>1,877,518</u>
Depreciable capital assets:					
Buildings and structures	5,606,039	525,297	104,635		6,235,971
Improvements other than buildings	17,641,236	910,713	90,624		18,642,573
Equipment and vehicles	5,441,655		156,981		5,598,636
Furniture and fixtures	91,443				91,443
Total	<u>28,780,373</u>	<u>1,436,010</u>	<u>352,240</u>		<u>30,568,623</u>
Less accumulated depreciation for:					
Buildings improvement	(2,077,595)		(162,952)		(2,240,547)
Improvements other than buildings	(3,254,602)		(729,293)		(3,983,895)
Equipment and vehicles	(4,493,688)		(297,814)		(4,791,502)
Furniture and fixtures	(84,563)		(663)		(85,226)
Total	<u>(9,910,448)</u>		<u>(1,190,722)</u>		<u>(11,101,170)</u>
Total capital assets, being depreciated, net	<u>18,869,925</u>	<u>1,436,010</u>	<u>(838,482)</u>		<u>19,467,453</u>
Governmental activities capital assets, net	<u>\$ 22,183,453</u>	<u>\$ -</u>	<u>\$ (838,482)</u>	<u>\$ -</u>	<u>\$ 21,344,971</u>

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

General government	\$ 179,336
Public safety	206,371
Parks and recreation	120,099
Public works	682,410
Community development	<u>2,506</u>

Total Depreciation Expense - Governmental Activities \$ 1,190,722

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 518,788	\$ -	\$ -	\$ 518,788
Total	<u>518,788</u>			<u>518,788</u>
Depreciable capital assets:				
Buildings and structures	1,280,219	18,820		1,299,039
Improvements other than buildings	26,326,065			26,326,065
Equipment and vehicles	3,316,805	89,034		3,405,839
Furniture and fixtures	24,046	20,685		44,731
Water rights	239,472			239,472
Source of supply	2,541,837			2,541,837
Transmission	9,808,624			9,808,624
Water treatment	18,309			18,309
Total	<u>43,555,377</u>	<u>128,539</u>		<u>43,683,916</u>
Less accumulated depreciation for:				
Buildings and structures	(1,063,325)	(34,515)		(1,097,840)
Improvements other than buildings	(12,869,905)	(1,008,373)		(13,878,278)
Equipment and vehicles	(2,626,933)	(226,255)		(2,853,188)
Furniture and fixtures	(20,824)	(226)		(21,050)
Water rights	(229,891)	(4,789)		(234,680)
Source of supply	(1,856,000)	(46,015)		(1,902,015)
Transmission	(9,514,683)	(40,978)		(9,555,661)
Water treatment	(14,983)	(1,661)		(16,644)
Total	<u>(28,196,544)</u>	<u>(1,362,812)</u>		<u>(29,559,356)</u>
Total capital assets, being depreciated, net	<u>15,358,833</u>	<u>(1,234,273)</u>		<u>14,124,560</u>
Business-Type activities capital assets, net	<u>\$ 15,877,621</u>	<u>\$(1,234,273)</u>	<u>\$ -</u>	<u>\$ 14,643,348</u>

Note 4: Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Business-type Activites	
Water	\$ 428,880
Sewer	486,673
Airport	383,634
Kern COG transportation	62,665
Water reserve	<u>960</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 1,362,812</u></u>

Note 5: Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, is as follows:

A. Due to/Due from Other Funds

	<u>Receivable</u>	<u>Payable</u>
Major Governmental Funds:		
General	\$ 784,132	\$ -
Subdivision Deferred Improvement		46,694
Major Enterprise Fund		
Airport		85,761
Sewer		20,841
Nonmajor Governmental Funds:		
Proposition 39		995
OHV Grant		359,771
OHV EMS Grant		30,154
Public Safety Augmentation		7,856
COPs Recovery		45,193
Nonmajor Enterprise Fund:		
Kern COG Transportation		<u>186,867</u>
 Totals	 <u><u>\$ 784,132</u></u>	 <u><u>\$ 784,132</u></u>

Due to the General from the Airport, Sewer, and Kern COG Enterprise Funds and other governmental funds were to cover negative cash balances at June 30, 2014. The amount due the General Fund from the Subdivision Deferred Improvement Fund was for expenditures paid by the General Fund.

Note 5: Interfund Receivables, Payables, and Transfers (Continued)

B. Receivable from RDA Successor Agency Trust

	<u>Receivable</u>	<u>Payable</u>
Major Governmental Fund:		
Subdivision Deferred Improvement	\$ 20,684,224	\$ -
Nonmajor Governmental Fund:		
Housing Authority	985,000	
Private Purpose Trust Fund		<u>21,669,224</u>
Totals	<u>\$ 21,669,224</u>	<u>\$ 21,669,224</u>

During the current and previous fiscal years, the City of California City has made loans to the Agency. These loans bear interest at rates of up to 7.3% per annum depending upon when the loan was initiated. The City may demand payment of all or a portion of the principal balance at any time as funds become available. However, such demands are not anticipated within the next fiscal year. As of February 1, 2012, the Redevelopment Agency ceased operations as a component unit of the City and all assets and liabilities were transferred to a Private-Purpose Trust Fund except for Housing assets. The interest rate and repayment schedule will be adjusted after review of the California Department of Finance under AB1484. The \$985,000 was considered a loan from the Housing Fund to the former Redevelopment Agency to assist in the payment of its SERAF obligation in a prior year.

C. Transfers

	<u>Transfers in</u>	<u>Transfers out</u>
Major Governmental Funds:		
General	\$ 357,718	\$ -
Street Maintenance	253,798	62,544
Subdivision Deferred Improvement		137,492
Special Tax		216,452
Public Safety Services	97,607	
Major Enterprise Funds:		
Water	2,422	165,088
Sewer	116	125,086
Airport		5,000
Nonmajor Enterprise Fund:		
Kern COG Transportation	<u>1</u>	
Totals	<u>\$ 711,662</u>	<u>\$ 711,662</u>

Note 5: Interfund Receivables, Payables, and Transfers (Continued)

C. Transfers (Continued)

The Subdivision Deferred Improvement Fund transferred \$137,492 of stipulated judgment funds to the Street Maintenance Fund.

During the fiscal year, the Special Tax Fund received revenues from Measure B, Measure C, and Measure L special tax. The revenue was transferred as followed: \$118,845 to the General Fund; and \$97,607 to Public Safety Services Fund.

The Street Maintenance Fund, Water Fund, and Sewer Fund transferred out \$62,544, \$165,088, and \$125,086, respectively, to the General Fund for the central garage operations.

Note 6: Long-Term Obligations

A. Governmental Activities Long-Term Debt

The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due Within One Year
Governmental Activities					
Capital Leases - Vehicles	\$ 418,085	\$ -	\$ (127,560)	\$ 290,525	\$ 220,895
PERS Side Fund	3,679,022	272,257	(553,963)	3,397,316	570,582
Accrued employee benefits	768,783		(119,502)	649,281	313,593
Total	\$ 4,865,890	\$ 272,257	\$ (801,025)	\$ 4,337,122	\$1,105,070

A description of individual components of long-term debt outstanding and the related debt service requirements to maturity at June 30, 2014, are as follows:

Capital Leases

The City has entered into various leases for vehicles which are classified as capital leases. One fire truck, 4 pick-up trucks, one general purpose vehicle, and six police cars. Interest rates range from 4%-6.2% and maturity dates range from December, 2014 to October 2016. The original value of the vehicles was \$755,325. Minimum annual payments including interest amount is \$150,121. The outstanding lease obligations as of June 30, 2014 are \$290,525.

Minimum annual lease requests are as follows:

Fiscal Year Ending June 30,	Fire Truck		Other Vehicles	
	Principal	Interest	Principal	Interest
2015	\$ 124,746	\$ 6,907	\$ 96,149	\$ 9,053
2016			61,497	3,709
2017			8,133	464
Totals	\$ 124,746	\$ 6,907	\$ 165,779	\$ 13,226

Note 6: Long-Term Obligations (Continued)

Public Employees Retirement System Side

During the 2004-05 fiscal year, the City was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan, in addition to the existing unfunded liability. The outstanding liability at June 30, 2014 was \$3,397,316.

B. Business-Type Activities Long-Term Debt

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due Within One Year
Business-Type Activities:					
2003 revenue bonds	\$ 1,675,000	\$ -	\$ (45,000)	\$ 1,630,000	\$ 45,000
USDA Loan	4,668,929		(63,670)	4,605,259	66,376
Contracts payable	368,471		(66,432)	302,039	32,705
Accrued employee benefits	187,600		(19,590)	168,010	67,204
Total	\$ 6,900,000	\$ -	\$ (194,692)	\$ 6,705,308	\$ 211,285

2003 Lease Revenue Bonds

On November 6, 2003, the California City Financing Authority issued Lease Revenue Bonds in the amount of \$2,000,000. The bonds were issued to reimburse the City for costs incurred in connection with the expansion of the City's wastewater treatment plant and related facilities. The bonds consist of \$955,000 serial bonds and \$1,045,000 term bonds. The bonds are secured by and payable from lease payments to be received by the Authority from the City under the terms of a lease agreement. The \$955,000 serial bonds mature annually each November 1 from 2004 to 2023, in amounts ranging from \$30,000 to \$75,000 and bear interest at rates ranging from 3.25% to 6.00%. Interest is payable semi-annually on May 1 and November 1. \$450,000 of the term bonds will mature on November 1, 2028, and bear interest at 6.00%. The remaining \$595,000 term bonds will mature on November 1, 2033, and bears interest at 6.10%. Interest on the term bonds is also payable on May 1 and November 1. The outstanding term bonds maturing on November 1, 2028 and November 1, 2033, are subject to redemption in part by lot on November 1 of each year thereafter, from sinking account payments, in amounts from \$80,000 to \$135,000. At June 30, 2014, the outstanding balance on the lease revenue bonds was \$1,630,000.

Note 6: Long-Term Obligations (Continued)

B. Business-Type Activities Long-Term Debt (Continued)

2003 Lease Revenue Bonds (Continued)

Following is the debt service to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 45,000	\$ 94,821	\$ 139,821
2016	50,000	92,407	142,407
2017	50,000	89,795	139,795
2018	55,000	86,985	141,985
2019	55,000	83,987	138,987
2020-2024	330,000	367,415	697,415
2025-2029	450,000	251,975	701,975
2030-2034	595,000	95,313	690,313
	<u>\$ 1,630,000</u>	<u>\$1,162,698</u>	<u>\$ 2,792,698</u>

USDA Loan

During fiscal year 2007-08, the City drew down on a \$5,000,000 loan approved by the United States Department of Agriculture to improve the City's water distribution system. The loan bears interest at 4.25% per annum and principal is due in annual installment on September 1 of each fiscal year until 2046. As of June 30, 2014, the outstanding balance of the loan is \$4,605,209. Following is the debt service to maturity:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 66,376	\$ 194,306	\$ 260,682
2016	69,197	191,424	260,621
2017	72,138	188,422	260,560
2018	75,204	185,290	260,494
2019	78,400	182,026	260,426
2020-2024	444,905	856,101	1,301,006
2025-2029	547,834	750,983	1,298,817
2030-2034	674,573	621,551	1,296,124
2035-2039	830,632	462,176	1,292,808
2040-2044	1,022,798	265,928	1,288,726
2045-2047	723,202	47,710	770,912
	<u>\$ 4,605,259</u>	<u>\$3,945,917</u>	<u>\$ 8,551,176</u>

Note 6: Long-Term Obligations (Continued)

B. Business-Type Activities Long-Term Debt (Continued)

Contract Payable – Boron Valley Water

On July 1, 1974, the City received from California City Community Services District (the District) all rights, title and interest in any and all district assets whether real or personal, except for certain unimproved park sites and bond obligations. In connection with the above transfer of assets, the City has continued payments related to the obligation entered into by the District with Boron Valley Water Development Company on March 21, 1960. Following is a condensed analysis of the agreement with the District:

The District entered into an agreement on March 21, 1960, to purchase from the Boron Valley Water Development Company the water rights and water system owned by the Company. The purchase price is not to exceed \$1,350,000 and is to be paid for by a two and one-half cents (\$.025) per one hundred (100) cubic feet charge for all water produced from any well in Area A as measured at the well site. This charge is to start 10 years from the date of closing and run for 50 years. The Company waives any interest on the purchase price and in lieu thereof the District agrees to pay from date of closing, but not to exceed 60 years there from, \$.025 per 100 cubic feet for all water produced from any well in Area A sold by the District outside the boundaries of the District. Such amount shall not be credited against the \$1,350,000 maximum payment.

In an amendment to the March 21, 1960, agreement with Boron Valley Water Development Company, dated July 1, 1967, Section 6 was amended to provide that two and one-half cents per 100 cubic feet of water produced from any well in Area A was not to apply to production for water used by the City for municipal purposes such as recreational facilities, parks, landscaping on public parkways, etc.

Payments are made annually each July 15. As of June 30, 2014, \$302,039 was due on the note. The estimated portion on the Contract due within one year is \$32,705.

Contract Payable – Southern California Edison (SCE)

On May 18, 2012, the City entered into an On-Bill Financing agreement with Southern California Edison for the purpose of financing certain energy efficient improvements. The amount of the agreement is \$43,071 and is to be paid at 0% interest over 15 months. These payments are to be billed to the City within its normal energy bill provided by SCE. The outstanding balance as of June 30, 2014, is \$0.

Accrued Employee Benefits

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements. For business-type activities, the liability will be paid in future years from the Proprietary Funds.

Note 7: Retirement Plan

A. California Public Employees Retirement System (PERS)

Plan Description

The City of California City contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 20.60% for miscellaneous employees and 41.20% for safety employees, and an additional 11.50% for 2nd tier police employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2014, the City's annual pension cost of \$1,170,742 for PERS was equal to the City's required and actual contributions. The City also made contributions on for and behalf of its employees which totaled \$386,550. Therefore, the total contribution to CALPERS was \$1,557,291. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method.

Three-Year Trend Information for PERS			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/12	\$ 1,144,810	100%	\$ -
06/30/13	\$ 1,140,069	100%	\$ -
06/30/14	\$ 1,170,742	100%	\$ -

The City of California City participates in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contributions are almost identical to what the rates would have been outside the pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Note 7: Retirement Plan (Continued)

B. Public Agency Retirement Services (PARS)

In November 2005, the city entered into a defined contribution plan with the Public Agency Retirement System (PARS) for all of its part-time employees. The plan was established by City Resolution and may be amended by the City Council. The plan is administered by PARS under its 457 Alternate Retirement System.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan. The City contributes 0%, and the employees contribute 7.5% of their salaries. The contributions and any interest earned immediately vest in full.

For the fiscal year ended June 30, 2014, the City's covered payroll was \$242,935 for the 21 employees participating in the plan. The employees contributed \$26,722 during the fiscal year. Assets of the plan totaled \$103,239 at June 30, 2014.

Note 8: Summary Disclosure of Self-Insurance Contingencies

The City is self-insured for the first \$100,000 on each general liability claim. The insurance coverage in excess of the self-insured amount is provided by the Public Agency Risk Sharing Authority of California (PARSAC) up to a limit of \$35,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The City funds all claims payable, including those incurred but not reported, in the yearly deposit it pays to PARSAC, except for its self-insured retention.

Effective January 20, 1998, the City became a member of the PARSAC, a public entity risk pool currently operating as a common risk management and insurance program for 37 California cities. The City pays an annual premium to the pool for its excess general liability insurance coverage. The agreement for formation of the PARSAC provides that the pool will be self-sustaining through member premiums. The City continues to carry commercial insurance for all other risks of loss, including workers' compensation insurance, property insurance with a \$5,000 deductible and employee dishonesty insurance with a \$25,000 deductible.

The PARSAC publishes its own financial report for the year ended June 30, 2014, which can be obtained from Public Agency Risk Sharing Authority of California, Sacramento, California. There have been no significant changes in insurance coverage from the prior year. During the past three fiscal years, the amount of settlements has not exceeded the amount of insurance coverage.

Note 9: Contingencies

The City is involved in various lawsuits including litigation with the California Department of Finance (DOF) in regards to the loan between the former redevelopment agency and the Subdivision Deferred Improvement fund (SDI). See additional information in Note 5 and Note 11. If the DOF prevails, the possible amount of loss could be the entire loan amount including principal and interest. Although the outcome of the various lawsuits is not presently determinable, it is the opinion of management and legal counsel, that the resolution of these matters will not have a material adverse effect on the City's financial statements except possibly the litigation with DOF.

Note 9: Contingencies (Continued)

The City has received various state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

The City is involved in pending lawsuits of a nature common to many similar jurisdictions. City management estimates the potential claims against the City, not covered by insurance, will be immaterial to the financial statements.

Proposition 218, which was approved by the voters in November 1996, will regulate the City's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired. At this time, it is uncertain how Proposition 218 will affect the City's ability to maintain or increase the revenue from taxes, assessments, and fees.

Note 10: Net Position/Fund Balances

At June 30, 2014, the City had recorded restricted net position in the governmental activities and business-type activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for:		
Community development	\$ 311,445	\$ -
Public works	86,115,414	
Parks and recreation	14,125	
Public safety	1,484,739	
Housing	1,200,518	
Water meter installation		216,937
Water standby		2,596,140
	<u> </u>	<u> </u>
Total Restricted	<u>\$ 89,126,241</u>	<u>\$ 2,813,077</u>

Note 10: Net Position/Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2014 are as follows:

Fund Balances	General Fund	Street Maintenance	Subdivision Deferred Improvement	Special Tax	Public Safety Services	Other Governmental Funds	Totals
Nonspendable:							
Inventory	\$ 9,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,069
Total Nonspendable	9,069						9,069
Restricted for:							
Housing						1,200,518	1,200,518
Parks and Recreation						14,125	14,125
Public Safety					1,439,899	44,840	1,484,739
Streets and Roads		2,180,590					2,180,590
Subdivision Improvement			83,934,824				83,934,824
Community Development				225,331		86,114	311,445
Total Restricted		2,180,590	83,934,824	225,331	1,439,899	1,345,597	89,126,241
Assigned for:							
PARSAC Insurance	100,000						100,000
Total Assigned	100,000						100,000
Unassigned	3,693,793					(359,585)	3,334,208
Total Fund Balances	\$ 3,802,862	\$ 2,180,590	\$ 83,934,824	\$ 225,331	\$ 1,439,899	\$ 986,012	\$ 92,569,518

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency

A. Description

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of California City that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the "successor agency" to hold the assets units they are distributed to other units of state and local government. On January 17, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of a City ordinance.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

A. Description (Continued)

The Bill directs State Controller of the State of California review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of activity of the Redevelopment Agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

B. Long-Term Obligations

- a. The following is a schedule of changes in long-term debt for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due Within One Year
City Loans - Principal	\$ 10,862,142	\$ -	\$ -	\$ 10,862,142	\$ -
City Loans - Unpaid Interest	10,807,082			10,807,082	
Developer Loans - Hyundai	746,340		(171,878)	574,462	181,331
Van Pray Note	2,713,286		(247,994)	2,465,292	269,068
TAB - 2000 Senior Series A	8,815,000		(165,000)	8,650,000	175,000
TAB - 2000 Subordinate Series A	920,000		(260,000)	660,000	305,000
TAB - 2000 Series B	2,470,000		(80,000)	2,390,000	85,000
Original Issuance Discount	(107,367)		10,416	(96,951)	(10,416)
Total	<u>\$ 37,226,483</u>	<u>\$ -</u>	<u>\$ (914,456)</u>	<u>\$ 36,312,027</u>	<u>\$ 1,004,983</u>

- b. A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2014, follows:

Advances from City

The Housing Authority of the City of California City advanced funds to the Redevelopment Agency in the amount of \$985,000 to assist in the payment of its SERAF payment.

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

B. Long-Term Obligations (Continued)

Advances from City (Continued)

The City advanced the Agency funds for operations and has paid for costs at various times since the establishment of the Redevelopment Agency. Costs paid on behalf of the Agency do not have a stated interest rate. The loans made to the Agency bear interest at various rates as specified below:

SDI Fund – Land Loan

Authorized amount \$4,500,000; interest at 6.6% per annum.

SDI Fund – Treatment Plant Note

Authorized amount \$5,902,000; interest at 7.3% per annum. Principal and interest are to be repaid in 20 installments commencing July 1, 2003.

At June 30, 2014, principal balance outstanding was \$10,862,142 and accrued unpaid interest was \$10,807,082.

Developer Loans

In a memorandum of agreement dated June 2002, the Agency and Hyundai America Technical Center agreed that the Agency would install water and provide adequate paved access from the south side of California City to the property boundary at the City's and Agency's sole expense. In addition, they agreed that if the Agency decided to include the Hyundai Project in the amended Redevelopment Project Area, then the City and the Agency would reimburse Hyundai 49% of the cost to defend any litigation files challenging the Redevelopment Project Area. Hyundai has paid for all of the costs mentioned above. As of June 30, 2014, the outstanding balance was \$574,462.

Van Pray Note

In November 2007, the Agency entered into a purchase agreement with Pray Living Trust U.D.T. for the purchase of improved real property. Consideration for the property is an unsecured note payable for \$4,000,000. Monthly payments of \$26,181 include both principal and interest at a rate of 5% for the first year. Thereafter, a variable rate of interest will be paid semi-annually effective January 1 and July 1. The variable rate is the Annual Libor rate, plus 0.75% for the last day of May and November, respectively. As of June 30, 2014, the outstanding balance was \$2,449,014.

Bonds

In January 2000, the Agency issued \$10,380,000 California City Redevelopment Project Area Tax Allocation Refunding Bonds, Senior 2000 Series A, \$2,060,000 California City Redevelopment Project Area Tax Allocation Refunding Bonds, Subordinated 2000 Series A and \$3,235,000 California City Redevelopment Project Area Housing Tax Allocation Refunding Bonds, 2000 Series B. Interest on the bonds is payable semi-annually on March 1 and September 1, of each fiscal year commencing March 1, 2000.

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

B. Long-Term Obligations (Continued)

Bonds (Continued)

Senior 2000 Series A

Serial bonds were issued maturing from 2000 to 2005 with interest rates from 4.75% to 6.00%.

The remainder is \$9,670,000 7.75% term bonds, due September 1, 2034. At June 30, 2014, the outstanding balance was \$8,650,000.

Subordinated 2000 Series A

The Subordinated Series A Bonds are \$2,060,000, 7.000% term bonds, due September 1, 2015. At June 30, 2014, the outstanding balance was \$660,000.

2000 Series B

Serial bonds were issued maturing from 2000 to 2015 with interest rates from 4.75% to 7.10%.

Of the remainder, \$555,000 are 7.375% term bonds due September 1, 2020, and \$1,660,000 are 7.500% term bonds due September 1, 2029. At June 30, 2014, the outstanding balance was \$2,390,000.

- c. The following schedule illustrates the debt service requirements to maturity for long-term debt outstanding as of June 30, 2014:

Fiscal Years Ending June 30,	Hyundai DDA		Van Pray Note	
	Principal	Interest	Principal	Interest
2015	\$ 181,331	\$ 31,595	\$ 269,068	\$ 41,870
2016	191,305	21,622	273,952	36,986
2017	201,826	11,100	278,923	32,015
2018			283,986	26,952
2019			289,140	21,798
2020-2023			1,070,223	34,338
Totals	<u>\$ 574,462</u>	<u>\$ 64,317</u>	<u>\$ 2,465,292</u>	<u>\$ 193,959</u>

Note 11: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

B. Long-Term Obligations (Continued)

Bonds (Continued)

Fiscal Years Ending June 30,	Tax Allocation Bonds, Senior 2000 Series A		Tax Allocation Bonds, Subordinated 2000 Series A		Tax Allocation Bonds, 2000 Series B	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 175,000	\$ 663,594	\$ 305,000	\$ 35,525	\$ 85,000	\$ 174,795
2016	190,000	649,450	355,000	12,425	90,000	168,627
2017	205,000	634,144			95,000	161,927
2018	220,000	617,675			105,000	154,553
2019	240,000	599,850			110,000	146,626
2020-2024	1,495,000	2,680,532			680,000	593,315
2025-2029	2,180,000	1,976,251			980,000	286,116
2030-2034	3,160,000	962,863			245,000	9,187
2035	785,000	30,418				
Totals	<u>\$8,650,000</u>	<u>\$8,814,777</u>	<u>\$ 660,000</u>	<u>\$ 47,950</u>	<u>\$2,390,000</u>	<u>\$1,695,146</u>

Note 12: Prior Period Adjustments

In the Government-Wide Statement of Activities and in the General Fund and Public Safety Augmentation Fund there were prior period adjustments as follows:

Overstatement of Deferred Revenues of \$22,384
Overstatement of Grants Receivable of \$18,735

In the Government-Wide Statements of Activities and in the Sewer Enterprise Fund there was a prior period adjustment of \$95,441 and in the private purpose trust fund in the amount of \$236,963 representing the adjustment of deferred changes due to implementation of GASB Statement No. 65.

Note 13: Related Parties

The City uses a local hardware store to purchase goods and supplies from. This is a City-wide decision to purchase locally. The store is owned and operated by the son of a Councilmember. The City was using this vendor prior to the Councilmember's election to City Council. Total purchases approximated \$102,898 thousand for the fiscal year ended June 30, 2014.

Note 14: Subsequent Event

The City has completed an audit of the Municipal Meters servicing City Facilities. A total of 53 meters of various sizes have been repaired and brought on line and as of November 2015 billing will receive monthly billing for each as prescribed by Proposition 218. The City has also calculated the monthly base rate for each meter by size, by number, and by year for the last three years prior to the implementation of the new water rates. That number is calculated to be \$396,894. The City has increased the amount by \$103,106 to account for the uncalculated consumption for a total of \$500,000. This action will reduce by \$500,000 the Water Fund would need to draw down from the \$2 million dollar Line of Credit.

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,615,000	\$ 1,615,000	\$ 2,109,589	\$ 494,589
Licenses and permits	186,000	186,000	287,013	101,013
Intergovernmental	855,600	855,600	815,742	(39,858)
Charges for services	67,500	67,500	97,926	30,426
Fines and forfeitures	25,500	25,500	21,060	(4,440)
Use of money and property	28,400	28,400	40,556	12,156
Miscellaneous	266,000	266,000	112,231	(153,769)
Total revenues	3,044,000	3,044,000	3,484,117	440,117
EXPENDITURES				
Current:				
General government	1,341,362	1,341,362	1,380,513	(39,151)
Public safety	110,059	110,059	87,863	22,196
Parks and recreation	573,352	838,611	465,972	372,639
Public works	300,914	300,914	242,509	58,405
Capital outlay	480,966	215,707	195,197	20,510
Total expenditures	2,806,653	2,806,653	2,372,054	434,599
Excess of revenues over (under) expenditures	237,347	237,347	1,112,063	874,716
OTHER FINANCING SOURCES (USES):				
Transfers in	373,276	373,276	357,718	(15,558)
Total other financing sources (uses)	373,276	373,276	357,718	(15,558)
Net change in fund balance	610,623	610,623	1,469,781	859,158
Fund balances- July 1, 2013	2,310,697	2,310,697	2,310,697	
Prior period adjustments			22,384	22,384
Fund balances- July 1, 2013, restated	2,310,697	2,310,697	2,333,081	22,384
Fund balances - June 30, 2014	\$ 2,921,320	\$ 2,921,320	\$ 3,802,862	\$ 881,542

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 726,242	\$ 726,242	\$ 607,125	\$ (119,117)
Miscellaneous			215	215
Use of money and property			107	107
Total revenues	726,242	726,242	607,447	(118,795)
EXPENDITURES				
Current:				
Public works	814,419	814,419	743,609	70,810
Capital outlay	326,600	326,600	389,737	(63,137)
Total expenditures	1,141,019	1,141,019	1,133,346	7,673
Excess of revenues over (under) expenditures	(414,777)	(414,777)	(525,899)	(111,122)
OTHER FINANCING SOURCES (USES):				
Transfers in	290,000	290,000	253,798	(36,202)
Transfers out	(62,544)	(62,544)	(62,544)	
Total other financing sources (uses)	227,456	227,456	191,254	(36,202)
Net change in fund balance	(187,321)	(187,321)	(334,645)	(147,324)
Fund balances- July 1, 2013	2,515,235	2,515,235	2,515,235	
Fund balances - June 30, 2014	\$ 2,327,914	\$ 2,327,914	\$ 2,180,590	\$ (147,324)

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**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY SERVICES SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 5,600,000	\$ 5,600,000	\$ 6,240,099	\$ 640,099
Licenses and permits	20,000	20,000	21,766	1,766
Intergovernmental			54,338	54,338
Charges for services	2,140	2,140	9,290	7,150
Fines and forfeitures	25,000	25,000	34,185	9,185
Use of money and property			5	5
Miscellaneous	4,580	4,580	67,862	63,282
Total revenues	5,651,720	5,651,720	6,427,545	775,825
EXPENDITURES				
Current:				
Public safety	5,427,806	5,427,806	5,913,492	(485,686)
Capital outlay	92,594	72,404	39,812	32,592
Debt service:				
Principal retirement	62,736	79,993	127,560	(47,567)
Interest and other charges	12,860	15,793	22,630	(6,837)
Total expenditures	5,595,996	5,595,996	6,103,494	(507,498)
Excess of revenues over (under) expenditures	55,724	55,724	324,051	268,327
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	97,607	(2,393)
Total other financing sources (uses)	100,000	100,000	97,607	(2,393)
Net change in fund balance	155,724	155,724	421,658	265,934
Fund balances- July 1, 2013	1,018,241	1,018,241	1,018,241	
Fund balances - June 30, 2014	\$ 1,173,965	\$ 1,173,965	\$ 1,439,899	\$ 265,934

CITY OF CALIFORNIA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds				
	Supplemental Law Enforcement	Public Safety Augmentation	Aspen Mall Maintenance District	Housing Authority	OHV Permit Program
ASSETS					
Cash and investments	\$ 21,974	\$ -	\$ 89,635	\$ 215,518	\$ -
Receivables:					
Taxes		14,160	2		
Other governments					
Successor Agency receivable				985,000	
Total assets	<u>\$ 21,974</u>	<u>\$ 14,160</u>	<u>\$ 89,637</u>	<u>\$ 1,200,518</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 265	\$ 2,497	\$ 3,523	\$ -	\$ 163
Accrued liabilities	1,432				
Due to other funds		7,856			
Total liabilities	<u>1,697</u>	<u>10,353</u>	<u>3,523</u>		<u>163</u>
Fund balances:					
Restricted for:					
Housing				1,200,518	
Parks and recreation					
Maintenance district			86,114		
Public safety	20,277	3,807			
Unassigned					(163)
Total fund balances (deficits)	<u>20,277</u>	<u>3,807</u>	<u>86,114</u>	<u>1,200,518</u>	<u>(163)</u>
Total liabilities and fund balances	<u>\$ 21,974</u>	<u>\$ 14,160</u>	<u>\$ 89,637</u>	<u>\$ 1,200,518</u>	<u>\$ -</u>

Special Revenue Funds					Total Nonmajor Governmental Funds
Park & Recreation	COPS Recovery	OHV Grant	OHV EMS Grant	Proposition 39 AB109	
\$ 14,348	\$ -	\$ -	\$ -	\$ -	\$ 341,475
	20,062	64,617	52,216		14,162
					136,895
					985,000
<u>\$ 14,348</u>	<u>\$ 20,062</u>	<u>\$ 64,617</u>	<u>\$ 52,216</u>	<u>\$ -</u>	<u>\$ 1,477,532</u>
\$ 223	\$ -	\$ 22,944	\$ 1,049	\$ 7,045	\$ 37,709
	2,294	5,177	257	682	9,842
	45,193	359,771	30,154	995	443,969
<u>223</u>	<u>47,487</u>	<u>387,892</u>	<u>31,460</u>	<u>8,722</u>	<u>491,520</u>
14,125					1,200,518
					14,125
					86,114
			20,756		44,840
	(27,425)	(323,275)		(8,722)	(359,585)
<u>14,125</u>	<u>(27,425)</u>	<u>(323,275)</u>	<u>20,756</u>	<u>(8,722)</u>	<u>986,012</u>
<u>\$ 14,348</u>	<u>\$ 20,062</u>	<u>\$ 64,617</u>	<u>\$ 52,216</u>	<u>\$ -</u>	<u>\$ 1,477,532</u>

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds				
	Supplemental Law Enforcement	Public Safety Augmentation	Aspen Mall Maintenance District	Housing Authority	OHV Permit Program
REVENUES					
Taxes	\$ -	\$ 181,320	\$ 37,508	\$ -	\$ -
Intergovernmental	100,000	5,141			
Use of money and property			3		
Miscellaneous					
Total revenues	100,000	186,461	37,511		
EXPENDITURES					
Current:					
Public safety	81,112	139,395			163
Parks and recreation					
Community development			14,226		
Capital outlay	8,967	47,437			
Total expenditures	90,079	186,832	14,226		163
Net change in fund balances	9,921	(371)	23,285		(163)
Fund balances (deficits) - July 1, 2013	10,356	22,913	62,829	1,200,518	
Prior period adjustments		(18,735)			
Fund balances (deficits) - July 1, 2013, restated	10,356	4,178	62,829	1,200,518	
Fund balances (deficits) - June 30, 2014	<u>\$ 20,277</u>	<u>\$ 3,807</u>	<u>\$ 86,114</u>	<u>\$ 1,200,518</u>	<u>\$ (163)</u>

Special Revenue Funds					
Park & Recreation	COPS Recovery	OHV Grant	OHV EMS Grant	Proposition 39 AB109	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,828
	20,062	323,853	95,957	172,038	717,051
1				2	6
5,966					5,966
5,967	20,062	323,853	95,957	172,040	941,851
	47,487	446,334	69,247	180,762	964,500
10,391					10,391
		66,836	1,561		14,226
					124,801
10,391	47,487	513,170	70,808	180,762	1,113,918
(4,424)	(27,425)	(189,317)	25,149	(8,722)	(172,067)
18,549		(133,958)	(4,393)		1,176,814
18,549		(133,958)	(4,393)		(18,735)
					1,158,079
\$ 14,125	\$ (27,425)	\$ (323,275)	\$ 20,756	\$ (8,722)	\$ 986,012

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budget Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 100,000	\$ 100,000	\$ -
Total revenues	100,000	100,000	
EXPENDITURES			
Current:			
Public safety	90,995	81,112	9,883
Capital outlay	9,005	8,967	38
Total expenditures	100,000	90,079	9,921
Net change in fund balance		9,921	9,921
Fund balance - July 1, 2013	10,356	10,356	
Fund balance - June 30, 2014	\$ 10,356	\$ 20,277	\$ 9,921

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY AUGMENTATION SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budget Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 170,000	\$ 181,320	\$ 11,320
Intergovernmental		5,141	5,141
Total revenues	170,000	186,461	16,461
EXPENDITURES			
Current:			
Public safety	88,000	139,395	(51,395)
Capital outlay	82,000	47,437	34,563
Total expenditures	170,000	186,832	(16,832)
Net change in fund balance		(371)	(371)
Fund balance (deficit) - July 1, 2013	22,913	22,913	
Prior period adjustments		(18,735)	(18,735)
Fund balance (deficit) - July 1, 2013, restated	22,913	4,178	(18,735)
Fund balance - June 30, 2014	\$ 22,913	\$ 3,807	\$ (19,106)

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ASPEN MALL MAINTENANCE DISTRICT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budget Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 20,000	\$ 37,508	\$ 17,508
Use of money and property		3	3
Total revenues	20,000	37,511	17,511
EXPENDITURES			
Current:			
Community development	27,500	14,226	13,274
Total expenditures	27,500	14,226	13,274
Net change in fund balance	(7,500)	23,285	30,785
Fund balance - July 1, 2013	62,829	62,829	
Fund balance - June 30, 2014	\$ 55,329	\$ 86,114	\$ 30,785

**CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OHV GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014**

	Budget Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 302,541	\$ 323,853	\$ 21,312
Total revenues	302,541	323,853	21,312
EXPENDITURES			
Current:			
Public safety	399,781	446,334	(46,553)
Capital outlay	231,816	66,836	164,980
Total expenditures	631,597	513,170	118,427
Net change in fund balance	(329,056)	(189,317)	139,739
Fund balance (deficit) - July 1, 2013	(133,958)	(133,958)	
Fund balance (deficit) - June 30, 2014	\$ (463,014)	\$ (323,275)	\$ 139,739

CITY OF CALIFORNIA CITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OHV EMS GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2014

	Budget Final	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ 95,957	\$ 95,957
Total revenues		95,957	95,957
EXPENDITURES			
Current:			
Public safety	72,551	69,247	3,304
Capital outlay	11,250	1,561	9,689
Total expenditures	83,801	70,808	12,993
Net change in fund balance	(83,801)	25,149	108,950
Fund balance (deficit) - July 1, 2013	(4,393)	(4,393)	
Fund balance - June 30, 2014	\$ (88,194)	\$ 20,756	\$ 108,950

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Kern COG		
	Transportation	Water Reserve	Total
ASSETS			
Current:			
Cash and investments	\$ 120	\$ 963,443	\$ 963,563
Receivables:			
Other governments	367,348		367,348
Total current assets	367,468	963,443	1,330,911
Noncurrent:			
Capital assets - net of accumulated depreciation	68,955	45,113	114,068
Total noncurrent assets	68,955	45,113	114,068
Total assets	436,423	1,008,556	1,444,979
LIABILITIES			
Current liabilities:			
Accounts payable	2,006		2,006
Accrued liabilities	5,116		5,116
Unearned revenues	367,348		367,348
Due to other funds	186,867		186,867
Accrued compensated absences	5,150		5,150
Total current liabilities	566,487		566,487
Noncurrent liabilities:			
Accrued compensated absences	7,724		7,724
Total noncurrent liabilities	7,724		7,724
Total liabilities	574,211		574,211
NET POSITION			
Net investment in capital assets	68,955	45,113	114,068
Unrestricted	(206,743)	963,443	756,700
Total net position (deficit)	\$ (137,788)	\$ 1,008,556	\$ 870,768

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Kern COG Transportation	Water Reserve	Total
OPERATING REVENUES			
Sales and service charges	\$ 25,495	\$ 397,840	\$ 423,335
Total operating revenues	25,495	397,840	423,335
OPERATING EXPENSES			
Administration and general	243,271		243,271
Depreciation expense	62,665	960	63,625
Total operating expenses	305,936	960	306,896
Operating income (loss)	(280,441)	396,880	116,439
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	51,332		51,332
Interest revenue		31	31
Total non-operating revenues (expenses)	51,332	31	51,363
Income (loss) before transfers	(229,109)	396,911	167,802
TRANSFERS			
Transfers in	1		1
Total transfers	1		1
Changes in net position	(229,108)	396,911	167,803
Net position - July 1, 2013	91,320	611,645	702,965
Net position (deficit) - June 30, 2014	\$ (137,788)	\$ 1,008,556	\$ 870,768

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Enterprise Funds		
	Kern COG Transportation	Water Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 25,807	\$ 397,840	\$ 423,647
Cash paid to suppliers for goods and services	(53,530)		(53,530)
Cash paid to employees for services	(182,070)		(182,070)
Net cash provided (used) by operating activities	(209,793)	397,840	188,047
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Cash transfers in	1		1
Repayments from other funds	9,405		9,405
Intergovernmental	222,101		222,101
Net cash provided by non-capital financing activities	231,507		231,507
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(21,714)		(21,714)
Net cash used by capital and related financing activities	(21,714)		(21,714)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		31	31
Net cash provided by investing activities		31	31
Net increase in cash and cash equivalents		397,871	397,871
Cash and cash equivalents, July 1, 2013	120	565,572	565,692
Cash and cash equivalents, June 30, 2014	\$ 120	\$ 963,443	\$ 963,563
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (280,441)	\$ 396,880	\$ 116,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	62,665	960	63,625
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	312		312
(Increase) decrease in prepaid expense	4,181		4,181
Increase (decrease) in accounts payable	(112)		(112)
Increase (decrease) in accrued liabilities	(642)		(642)
Increase (decrease) in compensated absences	4,244		4,244
Total adjustments	70,648	960	71,608
Net cash provided (used) by operating activities	\$ (209,793)	\$ 397,840	\$ 188,047

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

There was no non-cash investing, financing or capital activity during the current fiscal year.

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2014

	RDA Capital Projects Successor Agency Fund	RDA Successor Agency Fund	Total
ASSETS			
Cash and investments	\$ 100	\$ 1,107,022	\$ 1,107,122
Cash and investments with fiscal agents		1,350,960	1,350,960
Notes receivable	173,000		173,000
Land held for resale	1,987,350		1,987,350
Total assets	2,160,450	2,457,982	4,618,432
DEFERRED OUTFLOW			
Deferred loss on refunding		55,781	55,781
LIABILITIES			
Due to other governments/accounts payable		243,212	243,212
Interest payable		306,530	306,530
Unearned revenue		981,102	981,102
Noncurrent liabilities			
Long-term debt, due within one year		1,004,983	1,004,983
Long-term debt, due in more than one year	20,684,224	14,622,820	35,307,044
Total liabilities	20,684,224	17,158,647	37,842,871
NET POSITION (DEFICIT)			
Unrestricted	\$ (18,523,774)	\$ (14,644,884)	\$ (33,168,658)

CITY OF CALIFORNIA CITY
COMBINING STATEMENT OF CHANGES IN NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
For the Fiscal Year Ended June 30, 2014

	RDA Capital Projects Successor Agency Fund	RDA Successor Agency Fund	Total
ADDITIONS			
Tax increment	\$ -	\$ 1,588,181	\$ 1,588,181
Use of money and property		48,155	48,155
Total additions		1,636,336	1,636,336
DEDUCTIONS			
Community development		376,358	376,358
Interest on long-term debt		1,052,396	1,052,396
Total deductions		1,428,754	1,428,754
Change in net position		207,582	207,582
Net position (deficit), July 1, 2013	(18,523,774)	(14,615,503)	(33,139,277)
Prior period adjustment		(236,963)	(236,963)
Net position (deficit), July 1, 2013, Restated	(18,523,774)	(14,852,466)	(33,376,240)
Net position (deficit), June 30, 2014	<u>\$ (18,523,774)</u>	<u>\$ (14,644,884)</u>	<u>\$ (33,168,658)</u>